

CORRECTED FISCAL MEMORANDUM

SB 611 – HB 653

May 14, 2008

SUMMARY OF AMENDMENT (018541): Deletes the language of the original bill; makes multiple changes to the lottery scholarship program; reduces the grade point average requirement for HOPE scholarship retention to 2.75; creates the Helping Heroes Act of 2008; creates the Tennessee Back To Class Act of 2008; creates the Rural Health Act of 2008; creates the Tennessee Quality Teacher Fellowship Program; creates the Criminal Justice Scholarship Program; and the General Assembly Civic Education Scholarship Program. This amendment also makes changes applicable to students who are dependents of military parents, students who are dependents of religious workers, and to the HOPE Foster Child Tuition Grant Program. States the legislative intent that \$10,000,000 from the Lottery for Education Account be used for funding Tennessee Student Assistance Awards each year. Authorizes any funds in the Lottery for Education Account in excess of \$10,000,000 on July 1, 2008 to be invested for the purpose of earning interest to fund the provisions of the bill as amended.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – Increases the expenditure of lottery proceeds earmarked for scholarships and grants by \$34,603,200 in FY07-08 and by \$38,062,000 in FY08-09.

There is included in the Governor's FY2007-08 Recommended Budget the amount of \$9,300,000 from recurring lottery for education revenues for the increase in the base HOPE Scholars award levels. The amounts will increase from \$3,800 to \$4,000 at four-year schools and from \$1,900 to \$2,000 at two-year schools. Other awards, which are based on the HOPE award levels, will increase accordingly.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

On May 13, 2008, we issued a fiscal memorandum on this bill as amended indicating the following estimated fiscal impact:

Other Fiscal Impact - \$10,000,000 of non-recurring lottery funds (from the Lottery for Education Account) will be utilized to fund Tennessee Student Assistance Awards for FY08-09. Increases the expenditure of

recurring lottery proceeds earmarked for scholarships and grants by \$33,240,000 for FY08-09. Therefore, the total increase of expenditures from lottery proceeds (from both non-recurring and recurring lottery revenue) is estimated to be \$43,240,000 for FY08-09.

The recurring increase of expenditures beginning in FY09-10 is estimated to be \$43,754,000 per year. This amount includes \$10,000,000 of annual Tennessee Student Assistance Awards, which will be funded by interest earnings generated from the Lottery for Education Account. Interest earnings are also expected to fund approximately \$8,675,000 of the bill as amended. An additional \$25,079,000 will be required from recurring lottery revenue each year to fund the provisions of the act.

The preparer of the fiscal memorandum erroneously included costs for Criminal Justice Scholarships for FY08-09. This was incorrect. Such Criminal Justice Scholarships shall commence in FY09-10. As a result, the fiscal impact for this bill as amended is as follows:

(CORRECTED)

Other Fiscal Impact - \$10,000,000 of non-recurring lottery funds (from the Lottery for Education Account) will be utilized to fund Tennessee Student Assistance Awards for FY08-09. Increases the expenditure of recurring lottery proceeds earmarked for scholarships and grants by \$21,340,000 for FY08-09. Therefore, the total increase of expenditures from lottery proceeds (from both non-recurring and recurring lottery revenue) is estimated to be \$31,340,000 for FY08-09.

The recurring increase of expenditures beginning in FY09-10 is estimated to be \$43,754,000 per year. This amount includes \$10,000,000 of annual Tennessee Student Assistance Awards, which will be funded by interest earnings generated from the Lottery for Education Account. Interest earnings are also expected to fund approximately \$8,675,000 of the bill as amended. An additional \$25,079,000 will be required from recurring lottery revenue each year to fund the provisions of the act.

Assumptions applied to amendment:

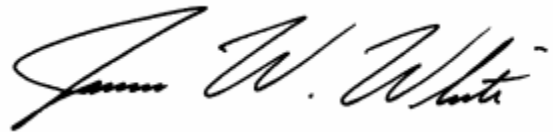
- Reducing grade point average requirement to 2.75 – first year costs are estimated to be \$17,500,000 (4,164 students); second year costs are estimated to be \$17,850,000 (4,247 students).

- Helping Heroes Act of 2008 – First year costs are estimated to be \$750,000 (375 students); second year costs are estimated to be \$750,000 (375 students).
- Tennessee Back To Class Act of 2008 – first-year costs are estimated to be \$1,500,000 (330 students); second-year costs are estimated to be \$1,500,000 (330 students).
- Rural Health Loan-Scholarship Program for medical students – no first year costs; second year costs are estimated to be \$500,000 (26 students).
- Tennessee Quality Teacher Fellowship Program – first-year costs are estimated to be \$500,000 (50 students); second-year costs are estimated to be \$500,000 (50 students).
- Criminal Justice Scholarship Program – No first-year costs; second-year costs are estimated to be \$11,900,000 (2,700 students).
- Changes applicable to dependent children of military members with retroactive provision to FY04-05 – First year costs are estimated to be \$800,000 (200 students); second year costs are estimated to be \$440,000 (110 students).
- Changes applicable to the HOPE Foster Child Tuition grant – first year costs are estimated to be \$50,000 (35 students); second year costs are estimated to be \$50,000 (35 students).
- The General Assembly Civic Education Scholarship Program – no first-year costs; second year costs are estimated to be \$132,000 (132 students).
- Changes applicable to dependents of religious workers – first year costs are estimated to be \$120,000 (30 students); second year costs are estimated to be \$132,000 (33 students).
- Retroactive provision for dependents of religious workers – one-time costs estimated to be \$120,000.
- Given the legislative intent stated in Section 5 of this amendment, it is assumed that \$10,000,000 from the Lottery for Education Account will be utilized for Tennessee Student Assistance Awards (TSAA) in FY08-09.
- The increase of expenditures from recurring lottery proceeds is estimated to be \$21,340,000 for FY08-09. The increase of expenditures from non-recurring lottery proceeds (from the Lottery for Education Account) is estimated to be \$10,000,000 for FY08-09. Therefore, the total increase of expenditures from lottery proceeds (recurring and non-recurring) is estimated to be \$31,340,000 for FY08-09.
- Based on current lottery revenue and expenditure estimates, the remaining balance in the Lottery for Education Account (after \$10,000,000 has been utilized to fund FY08-09 Tennessee Student Assistance Awards) is estimated to exceed \$415,000,000. Such balance is assumed to be invested long-term at a rate no less than four and one-half percent per year.

- Annual interest earnings are estimated to exceed \$18,675,000 per year (\$415,000,000 x 4.5% = \$18,675,000).
- The total increase of recurring costs for the lottery scholarship program as proposed for FY09-10 and subsequent fiscal years is estimated to be \$43,754,000 per year. This amount includes \$10,000,000 for annual Tennessee Student Assistance Awards, which are to be funded with interest earnings generated from the Lottery for Education Account. The remaining annual interest earnings (estimated to be \$8,675,000 per year) will fund other provisions of the bill as amended. An additional \$25,079,000 will be required from recurring lottery revenue to fund all provisions of the act.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/rnc